

EX PARTE OR LATE FILED

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

October 2, 1997

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Mr. William F. Caton, Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

EX PARTE: Docket No. CC 95-116 - Local Number Portability

Dear Mr. Caton:

Today representatives of GTE Service Corporation met with Jim Casserly of Commissioner Ness' office and with Paul Gallant of Commissioner Quello's office to discuss GTE's position in the above-captioned proceeding.

In addition to reiterating its position as contained in earlier written comments, GTE discussed its views on a competitively neutral cost recovery mechanism, using the attached presentation as a discussion guide.

Please incorporate this letter and its attachment into the record of the above-captioned proceeding.

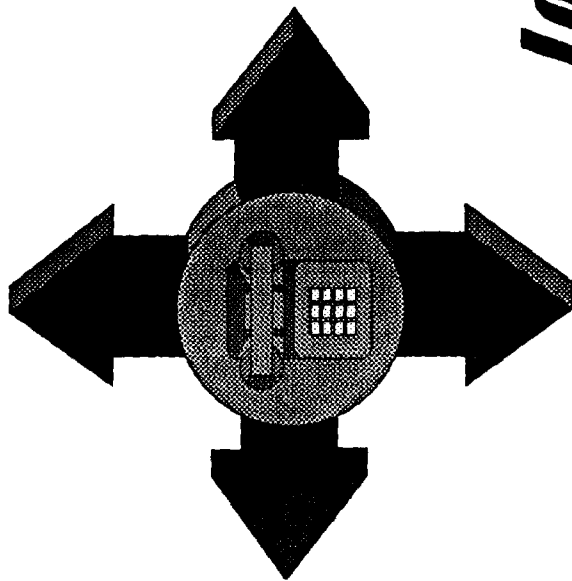
Sincerely,

Whitney Hatch

Attachment

c: J. Casserly
P. Gallant

Filed in Case No. CC 95-116
JUL 11 1997
041



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Local Number Portability **Cost Recovery**

GTE Corporation
October 2, 1997

▼ ***FCC must address LNP Cost Recovery*** **GTE**

- ◆ Section 251(e)(2) of the Act states, "The cost of establishing telecommunications numbering administration arrangements and number portability shall be borne by all telecommunications carriers on a competitively neutral basis as determined by the Commission."
- ◆ Unlike Section 251(e)(1), where the FCC may delegate jurisdiction to state commissions on NANP issues, Section 251(e)(2) does not permit delegation of cost recovery to state commissions.

▼ ***Cost recovery must be competitively neutral***



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- ◆ “Competitively neutral” must be judged by its effect in the marketplace.
 - ◆ LNP cost recovery must not affect consumers’ decisions to either remain with their current service provider or select a new provider.
 - ◆ LNP should encourage competition, but it must not advantage one competitor over another.
 - ◆ Requiring carriers to recover their own Category 2 and 3 LNP costs without any adjustment mechanism will violate above three principles.

▼ ***“Recover your own costs” is unfair***



- ◆ It will be more expensive for ILECs to establish LNP in their networks than for new competitors.
 - Costs are driven by the number of switches and the number of subscriber lines per switch.
 - Historical exchange structures leave incumbents with virtually no control over this driver.
 - Rural service areas also affect lines per switch and thus, LNP implementation costs per subscriber.
- ◆ Costs of implementing LNP vary greatly among ILECs, with RBOCs having lower costs than others.
- ◆ Unequal LNP costs borne by competitors will not result in competitive neutrality.

▼ ***Pooling will eliminate inequities***



- ◆ Similar to the Universal Service Fund, an LNP cost pool can accomplish the Telecom Act's objectives.
- ◆ Necessary controls can be developed that encourage efficiency and result in a competitively neutral effect in the marketplace.
 - A nationwide pool will result in a uniform cost recovery per line.
 - All telecommunications providers would be pool members and would recover their LNP costs.
 - State commissions can monitor estimated and actual costs of implementation for carriers under their jurisdiction.

▼ ***Direct costs must be recovered***



- ◆ All costs directly associated with the implementation of LNP must be recoverable.
 - Office upgrades, that would not be required "but for" LNP, must be considered a direct cost of number portability.
 - Costs of modifying Operations Support Systems to provide LNP must be recovered in a competitively neutral manner.
- ◆ Offices must be eligible for waivers from the LNP requirement if FCC rules preclude cost recovery.

▼ ***What are GTE's Type 2 LNP costs?***



Host/Remote Clusters Grouped by Line Size	Number of Clusters in Top 100 MSAs	Average Cost per Line*
0 to 4,999	62	\$81
5,000 to 9,999	95	\$48
10,000 to 14,999	80	\$29
15,000 to 19,999	49	\$22
20,000 to 29,999	91	\$17
30,000 to 39,999	52	\$10
40,000 and larger	54	\$9
Total and Weighted Avg.	483	\$32

*One-time costs for CO switching only

▼ *How does GTE compare with others?*

- ◆ GTE has far lower density than the average RBOC within the top 100 MSAs:

	Total Switches	Total MSAs	Switches/ MSA	Lines/ Switch*
GTE	843	58	15	10,000
RBOC	499	14	36	25,000

(*Represent switch clusters for GTE and reported switches for RBOCs)

- ◆ GTE has higher Type 2 switching costs per line*:

GTE - \$32 RBOC - \$20 CLEC - \$9

(*Assumes similar pricing from switch vendors for all parties)